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3 November 1958

MEMORANDUM FOR THE RECORD 25X1A

SUBJECT: Interview with [] Chief, Audit Staff,
regarding History of Audit Staff, 1953-1956.

25X1A 1. Question: What were the consequences of the organizational changes
in the Audit Staff during the period?

[] said that he retired from Army finance in 1951 and came
over to the Agency in July 1951 as financial adviser. He recommended
a new system of auditing and he was asked to take over the running of
this new system. [] Before

he came, ~~aud~~iting was done on the basis of papers brought to headquarters.
It was necessary to send to the field for information. Audits were two
years behind actual disbursements. Communications with the field were
so slow that a message sent to the field would find the man back in
headquarters where he would say that his records were overseas. []

25X1 [] decided to establish a new type of audit, a site audit on a selec-
ted basis. He did not favor what has been called the 10 cent audit which
goes after 10 cent items at ~~excess~~ an auditing cost of many times that.
The Hoover Commission recommended a selective audit.

At one time there were three different audit staffs, an Auditor-in-Chief,
a headquarters staff, and a field unit. The IG recommended that these
three units be combined. [] was made Chief of Audit Staff. 25X1A
He talks with the division chiefs but the day to day work of the headquarters
audit division is still conducted by the chief of that division.

2. Question: How did the career development program affect the Audit
Staff? Was a policy of rotation adopted?

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-2-

25X1 He said that the AS already had a system of rotation in effect when the career service system was adopted. The overseas program started in 1952 Auditors were sent overseas on a two year tour of duty and when they came back they were reassigned to the Audit Staff. He has recruited additors from among those with previous experience in government accounting and from recent college graduates who have specialized in accounting. He finds it desirable to have junior officers on the staff who will have new ideas and who will look forward to promotion. The young men will do the less desirable tasks when the older men might object. He has a number of CPA's on his staff. He has not used the JOT program since it is not necessary for an accountant to go through all the training given to a JOT. The Office of Personnel has sent in the names of young college graduates in accounting. The General said that he made the selection. A few years ago it was difficult to get up to strength but now he is close. As a matter of fact, he has only two vacancies and some eleven candidates are being investigated. He will have a chance to choose the best. He said that he rated the efficiency of the additors wherever they were. When they were in stations abroad, they still worked for the AS. An auditor abroad had to conform to the local rules but he was still doing a job for the AS.

3. How did relations develop with the Office of Logistics, particularly with reference to property control?

The AS has a team which lives in the Office of Logistics. It helps develop property accounting procedures. The field auditors review

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-3-

property operations in the field. A field auditor informs the chief of station what is in his report and sends the report to the AS which forwards a copy to DD/P for the Division Chief who has to prepare answers to all questions ^{in a manner} which are satisfactory to the Chief, AS. Auditors are sent to the depots in this country to make an audit at least once a year.

4. Question: What were the accomplishments achieved in the audit of proprietary projects? What cover arrangements were developed? Initially the audit of proprietary projects was made by the Financial Division. [] took this over when he was made Auditor-in-Chief. It was done by AS or by private firms. Such proprietary firms as [] are audited by well known accounting firms.

[] When an auditor goes out, he gets clearance from the operating division and from

[] He has been in 43 countries for the Agency.

5. Question: What were the audit developments with regard to the large subsidy projects? To what extent was it possible to use unwitting public accountants?

It is impossible to get inside a subsidized organization when only one person is knowledgeable. AS has required financial statements from such projects to which the division chief is required to certify that in his opinion the project is worth the money involved for the period under discussion.

-4-

It is possible to use some unwitting accountants for subsidized operations but such accountants have to be hired by the projects not by AS.

25X1A [] said that he improved the procedures in handling subsidy projects. He required that any money paid out for a subsidy project should have a receipt from the person to whom paid and that such person had to keep a memorandum account. He had a couple of cases where money had been advanced to a project and the account was dropped from the books. Later the case officer asked to use the money for another project. There was no record of funds available. []

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25X1A [] changed this. In another case involving half a million dollars, 400 thousand came back.

The audit is based upon the administrative plan for the project. This plan explains how the funds will be handled. If something looks wrong in the accounts, the matter is taken up with the division chief in Washington who is responsible since he signed off on the administrative plan.

In case an unwitting firm makes the audit, the audit is sent to headquarters where it is gone over by the AS.

6. Question: What were the developments in the audit of industrial contracts?

He said that in the Comptroller's Office there was a Contract Audit Division which made an audit prior to payment. The AS audits after payment and gives advice as to procedures. AS does not audit individual vouchers in this case. The Chief of Contract Audit Division is []

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25X1A [] who is well qualified in the field. The General suggested that

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-5-

7. What were the developments in the audit of financial accounts at Headquarters?

25X1 CIA Regulation [] gives AS authority over all accounts, even in vouchered funds. AS looks over the procedures for vouchered funds accounting, even though the General Accounting Office audits such funds. AS has contributed to the improvement of the accounting procedures of the Agency. AS performs for unvouchered funds what GAO does for other parts of the Government.

25X1A AS audits all overseas funds since they are unvouchered.

[] said that he reported to DCI through the DD/S. The question has come up whether he is an independent auditor since he reports through the DD/S. While he has been assured that he could bring a matter directly to the attention of DCI, he has always preferred to go through DD/S. The DCI is too busy and he has always obtained prompt action from DD/S.

He sometimes takes matters to Mr. Helms and he has always obtained his full support.

He has furnished copies of those reports to IG when he thought such reports might be of interest to the IG, but he would do this through DD/S.

8. What were the accomplishments during the period of the field audit unit? What was done about the audit of small field stations? Beginning in 1953, the AS placed auditors in field stations. first

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-6-

care of by auditors working out of headquarters.

25X1A [] they try to audit every six months.

This is a final audit.

25X1A [] at least once a year but where this is not possible the vouchers are sent to headquarters and an audit is made here. The Financial Division of the Comptroller's Office makes the preliminary audit. In other government departments, the department has the authority to make an administrative audit and the final audit is made by GAO. In the Agency, the AS makes the final audit for unvouchered fund accounts. AS does not go behind the Iron Curtain so those stations in Soviet bloc countries do not have a site audit. There are a few stations which have been touchy and AS has kept out until things calmed down. This has been true [] but the AS is returning soon to these cities.

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25X1A The AS has not gone to the []

25X1A They have not sent an auditor to [] as it is a difficult place to get out of. The accounts from [] have also been sent to headquarters. 25X1A

Their man in [] had family troubles but in 1955 they got a new man in there.

9. Question: What were the trends in the work load of AS?

He said that the work load went up as activities increased. As compared with the early fifties, money is now being accounted for much better. There is more respect for the dollar. He remembers case officers saying in 51 and 52, "Why fool with accounting, we are operators." This is not the atti-

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tude anymore.

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